

PECK COMMUNITY SCHOOLS

Peck, Michigan

REPORT ON FINANCIAL STATEMENTS

(with additional information)

June 30, 2005

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August 4, 2005

INDEPENDENT AUDITOR'S REPORT

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Peck Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005 on our consideration of Peck Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through x and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Peck Community Schools
August 4, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peck Community Schools' basic financial statements. The additional information on pages 23 to 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Peck Community Schools, a K-12 school district located in Sanilac County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Peck Community Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds, not the School District as a whole. The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The District has two kinds of funds:

- **Governmental Funds:** All of the District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of governmental funds statements explains the relationship (or differences) between them. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds and the School Service Funds, which are comprised of: Food Service and Athletics.
- **Fiduciary Funds:** The District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded in the fund financial statements.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

District Wide Financial Statement

The District wide financial statements report using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Financial Position and Results of Operations

The School District's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school building and facilities, the safety of the schools and other non-financial factors.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2005.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets		
Current assets	<u>\$2,494,933</u>	<u>\$ 2,503,803</u>
Capital assets	6,109,402	6,071,842
Less: Accumulated Depreciation	<u>(2,500,595)</u>	<u>(2,366,938)</u>
Capital Assets, net book value	<u>3,608,807</u>	<u>3,704,904</u>
Total assets	<u><u>\$6,103,740</u></u>	<u><u>\$ 6,208,707</u></u>
Liabilities		
Current liabilities	\$ 617,415	\$ 601,866
Long-term liabilities	<u>1,910,699</u>	<u>2,024,573</u>
Total liabilities	<u><u>\$2,528,114</u></u>	<u><u>\$2,626,439</u></u>
Net Assets		
Invested in capital assets, net of related debt	\$1,544,093	\$1,521,737
Restricted for debt service	61,892	60,307
Unrestricted	<u>1,969,641</u>	<u>2,000,224</u>
Total net assets	<u><u>3,575,626</u></u>	<u><u>3,582,268</u></u>
Total net assets and liabilities	<u><u>\$6,103,740</u></u>	<u><u>\$ 6,208,707</u></u>

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Analysis of Financial Position:

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$6,642. A few of the significant factors affecting net assets during the year, are discussed below:

A. General Fund Operations

The District's revenues were less than expenditures by \$15,885 for the fiscal year ended June 30, 2005. See the section entitled Results of Operations, below, for further discussion of General Fund Operations.

B. Debt, Principal Payments

The District took out a new 5 year bus loan during the year.
The District made principal payments on long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2004	Principal Payments June 30, 2005	New Loans June 30, 2005	Principal Balance June 30, 2005
Bonds Payable	\$ 2,150,000	\$ 150,000		\$ 2,000,000
Compensated Absences Payable	13,400		\$ 3,733	17,133
Bus Notes Payable	<u>33,167</u>	<u>21,994</u>	<u>53,541</u>	<u>64,714</u>
Total Long-Term Debt	\$ 2,196,567	\$ 171,994	\$ 57,274	\$ 2,081,847

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

C. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$96,097 during the fiscal year. This can be summarized as follows:

	BALANCE			BALANCE
	JULY 1, 2004	ADDITIONS	DELETIONS	JULY 1, 2005
Assets not being depreciated - land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	653,753	\$22,430		676,183
Transportation equipment	368,717	53,541	(38,411)	383,847
Subtotal	6,021,842	75,971	(38,411)	6,059,402
Accumulated depreciation	(2,366,938)	172,068	(38,411)	(2,500,595)
Net Other capital assets:	3,654,904	(96,097)	0	3,558,807
Net capital assets	\$ 3,704,904	(\$96,097)	0	\$3,608,807

In 1996, Peck voters approved a \$3.2 million, general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and remodeling of existing school facilities, technology and infrastructure and equipping and updating equipment within the facility. The capital project was completed in the fiscal year ended June 30, 1997. Prior to 1996, the District's most recent bond issue had been 1976.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Results of Operations:

For the fiscal year ended June 30, 2005, the District wide Results of Operations were:

	June 30, 2005		June 30, 2004	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property taxes	\$ 386,383	7.75%	\$ 439,446	8.88%
Investment earnings	35,434	.71%	27,906	.56%
State sources	4,131,770	82.85%	4,033,304	81.53%
Other	66,048	1.32%	71,812	1.45%
Total general revenues	4,619,635	92.63%	4,572,468	92.42%
Program Revenues				
Charges for services	131,362	2.63%	118,555	2.40%
Operating grants	236,371	4.74%	256,022	5.18%
Total revenues	4,987,368	100.00%	4,947,045	100.00%
Expenses				
Instruction	2,609,572	52.24%	2,487,733	51.54%
Support services	1,767,003	35.38%	1,736,542	35.98%
Community service	4,835	0.10%	0	0.00%
Food services	182,175	3.65%	168,410	3.49%
Athletics	152,108	3.05%	135,866	2.81%
Interest on long-term debt	105,951	2.12%	121,047	2.51%
Other	299	0.01%	417	0.01%
Unallocated depreciation expense	172,068	3.45%	176,790	3.66%
Total expenses	4,994,011	100.00%	4,826,805	100.00%
Increase (decrease) in net assets	\$ (6,642)		\$ 120,240	

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Governmental Funds Financial Highlights

The General Fund and the 1996 Debt Retirement Funds are reported separately as major funds in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Food Service and Athletics Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

- **General Fund**

The General Fund experienced a decrease in fund equity of \$15,885 during the year ended June 30, 2005. The District increased spending for the purchase of a bus, facility repairs, maintenance and purchased additional technology. Ending fund equity in the General Fund was \$1,966,131 at June 30, 2005, which equates to 43.52% of revenues for the year. This level is down from \$1,982,016 at June 30, 2004.

- **1996 Debt Retirement Fund**

The 1996 Debt Retirement Fund experienced an increase in fund equity of \$1,585 during the year ended June 30, 2005.

- **Other Governmental (Special Revenue) Funds**

Other government (special revenue) funds experience an overall decrease in fund equity of \$13,042 during the year.

General Fund Budget and Actual Expenditures (Operating Highlights)

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and the resulting staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two or three times during the fiscal year to adjust for these changes. These amendments must be approved by the Board of Education prior to the close of the fiscal year on June 30.

For the 2004-2005 fiscal year, the District amended the general fund budget two times. The following schedule shows a comparison of the original general fund budgeted revenues and expenditures, the final amended general fund budgeted revenues and expenditures and the actual totals for the fiscal year:

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

2004-2005 General Fund Budgeted Expenditures

Total Expenditures Original Budget	\$4,499,971
Total Expenditures Final Budget	<u>\$4,606,732</u>

Increase (decrease) in Budgeted Expenses \$ 106,761

The District's actual general fund expenditures were less than the final budget by \$19,589.

2004-2005 General Fund Budgeted Revenues

Total Revenues Original Budget	\$4,417,983
Total Revenues Final Budget	<u>\$4,522,161</u>

Increase (decrease) in Budgeted Revenues \$ 104,178

The District's 2004-2005 actual general fund revenues were more than the final budget by \$49,097. The variances between the original and final amended budgets in the General Fund are due primarily to changes in state funding.

The School District is predominantly funded by State Aid, which has increased on a per-pupil basis between years at a modest rate. Unrestricted state aid is determined by the following three variables:

1. State of Michigan State Aid Act per student foundation allowance
2. Student enrollment, blended at 75% of current year's fall count and 25% of prior year's spring count
3. The School District's non-homestead property tax levy

1. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. Peck Community School's foundation allowance was \$6,700 per student for the 2003-04 and the 2004-2005 school years.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

2. Student Enrollment

The District's student enrollment for the fall count of 2004-2005 was 610.23 students. The District's enrollment decreased slightly from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2004-2005	621.00	1.8%
2003-2004	610.23	-.5%
2002-2003	613.21	-1.7%
2001-2002	623.70	3.0%
2000-2001	605.07	2.1%

Subsequent to the year ended June 30, 2005, preliminary student enrollments for 2005-2006 indicate that enrollments may increase by about 10 – 15 students from 2004-2005.

3. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18.0 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2004-2005 fiscal year was \$128,732

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Hmst. Tax Levy</u>	<u>Increase (Decrease) from prior year</u>
2004-2005	\$128,732	\$ 7,275
2003-2004	\$121,457	13,344
2002-2003	\$108,113	\$3,020
2001-2002	\$105,093	\$5,371
2000-2001	\$ 99,722	(\$7,572)

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

4. Property Taxes Levied For Debt Retirement Fund

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable value of all properties: homestead and non-homestead. For 2004-2005, the District's debt levy was 4.2 mills that generated revenue of \$257,651.

5. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased (decreased) by approximately \$10,000 over the prior year. School lunch prices were increased about 16% during the year.

The total revenues from Food Service operations was less than the total expenditures for the year by \$12,524 in the food services fund.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Peck Community Schools.

BASIC FINANCIAL STATEMENTS

PECK COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2005

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash		\$ 1,728,625
Due from other governmental units		752,752
Due from other funds		12,556
Property taxes receivable		1,000
Prepaid expenses		-
TOTAL CURRENT ASSETS		<u>2,494,933</u>
NONCURRENT ASSETS:		
Capital assets		6,109,402
Less accumulated depreciation		<u>(2,500,595)</u>
TOTAL NONCURRENT ASSETS		<u>3,608,807</u>
TOTAL ASSETS		<u>\$ 6,103,740</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 42,902
Accrued salaries & wages		284,459
Accrued payroll taxes		68,372
Accrued interest		8,550
Retirement payable		41,984
Current portion of long term debt		<u>171,148</u>
TOTAL CURRENT LIABILITIES		<u>617,415</u>
NONCURRENT LIABILITIES:		
Noncurrent portion of long term debt		1,893,566
Compensated absences		<u>17,133</u>
TOTAL NONCURRENT LIABILITIES		<u>1,910,699</u>
NET ASSETS:		
Invested in capital assets, net of related debt		1,544,093
Restricted for debt service		61,892
Unrestricted		<u>1,969,641</u>
TOTAL NET ASSETS		<u>3,575,626</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 6,103,740</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
June 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,609,572		\$ 114,140	\$ (2,495,432)
Support services	1,767,003		48,917	(1,718,086)
Community service	4,835	\$ 5,650		815
Food services	182,175	85,719	73,314	(23,142)
Athletics	152,108	39,993	-	(112,115)
Interest on long-term debt	105,951			(105,951)
Other	299			(299)
Unallocated depreciation	172,068			(172,068)
Total governmental activities	<u>\$ 4,994,011</u>	<u>\$ 131,362</u>	<u>\$ 236,371</u>	<u>(4,626,278)</u>
General revenues:				
Property taxes, levied for general purposes				128,733
Property taxes, levied for debt service				257,651
State of Michigan school aid unrestricted				4,131,770
Investment revenue				35,434
Miscellaneous				66,048
Total general revenue				<u>4,619,636</u>
Change in net assets				(6,642)
Net assets, beginning of year				<u>3,582,268</u>
Net assets, end of year				<u>\$ 3,575,626</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<i>ASSETS</i>				
CURRENT ASSETS:				
Cash	\$ 1,627,829	\$ 61,892	\$ 38,904	\$ 1,728,625
Due from other governmental units	751,277		1,475	752,752
Due from other funds	24,742			24,742
Prepaid expenses	-			-
<i>TOTAL ASSETS</i>	<u>\$ 2,403,848</u>	<u>\$ 61,892</u>	<u>\$ 40,379</u>	<u>\$ 2,506,119</u>
<i>LIABILITIES AND FUND BALANCE</i>				
LIABILITIES:				
Accounts payable	\$ 42,902			\$ 42,902
Due to other funds			\$ 12,186	12,186
Accrued salaries & wages	284,459			284,459
Retirement benefits payable	41,984			41,984
Accrued expenses	68,372			68,372
TOTAL LIABILITIES	<u>437,717</u>	<u>-</u>	<u>12,186</u>	<u>449,903</u>
FUND BALANCE:				
Unreserved	1,066,131		28,193	1,094,324
Designated for capital projects	900,000			900,000
Reserved for debt service		\$ 61,892		61,892
TOTAL FUND BALANCE	<u>1,966,131</u>	<u>61,892</u>	<u>28,193</u>	<u>2,056,216</u>
<i>TOTAL LIABILITIES & FUND BALANCE</i>	<u>\$ 2,403,848</u>	<u>\$ 61,892</u>	<u>\$ 40,379</u>	<u>\$ 2,506,119</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2005

Total fund balances--governmental funds **\$ 2,056,216**

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of the capital assets is: 6,109,402
Accumulated depreciation is: (2,500,595)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable: (2,000,000)
Bus notes payable: (64,714)
Compensated absences: (17,133)
Accrued interest is not included as a liability in govern-
mental funds; it is recorded when paid: (8,550)

Balance of taxes receivable at 6/30/05 less allowance for doubtful
accounts 1,000

Net assets of governmental activities **\$ 3,575,626**

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2005

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	\$ 232,725	\$ 259,310	\$ 126,693	\$ 618,728
State sources	4,121,935		9,835	4,131,770
Federal sources	163,057		73,314	236,371
TOTAL REVENUES	4,517,717	259,310	209,842	4,986,869
EXPENDITURES:				
Instruction	2,606,959			2,606,959
Supporting services	1,841,854			1,841,854
Community service	4,835			4,835
School activities			334,283	334,283
Capital outlay				-
Debt service:				
Principal retirement		150,000		150,000
Interest		107,426		107,426
Other		299		299
TOTAL EXPENDITURES	4,453,648	257,725	334,283	5,045,656
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	64,069	1,585	(124,441)	(58,787)
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund			111,399	111,399
Loan proceeds	53,541			53,541
Payments on bus loans	(22,096)			(22,096)
Transfer to Athletic Fund	(111,399)			(111,399)
TOTAL OTHER FINANCING SOURCES (USES)	(79,954)	-	111,399	31,445
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(15,885)	1,585	(13,042)	(27,342)
FUND BALANCE - BEGINNING OF YEAR	1,982,016	60,307	41,235	2,083,558
FUND BALANCE - END OF YEAR	\$ 1,966,131	\$ 61,892	\$ 28,193	\$ 2,056,216

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
June 30, 2005

Total net change in fund balances--governmental funds	\$ (27,342)
--	--------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(172,068)
Capital outlay	75,971

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	10,127
Accrued interest payable at the end of the year	(8,550)

Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	(53,541)
--	----------

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	171,994
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(500)
Accrued revenue at the end of the year	1,000

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	13,400
Accrued absences at the end of the year	(17,133)

Change in net assets of governmental activities	<u>\$ (6,642)</u>
--	--------------------------

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash	\$ 98,424	\$ 74,445
<i>TOTAL ASSETS</i>	<u><u>\$ 98,424</u></u>	<u><u>\$ 74,445</u></u>
<i>LIABILITIES AND FUND BALANCE</i>		
LIABILITIES:		
Due to general fund		\$ 12,556
Scholarships payable		
Due to student organizations		61,889
TOTAL LIABILITIES	-	74,445
FUND EQUITY:		
Fund balance:		
Reserved for scholarships	\$ 98,424	
FUND BALANCE:	<u>98,424</u>	<u>-</u>
<i>TOTAL LIABILITIES AND FUND BALANCE</i>	<u><u>\$ 98,424</u></u>	<u><u>\$ 74,445</u></u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>PRIVATE PURPOSE TRUST FUND</u>
ADDITIONS:	
Interest	\$ 3,742
Donations	<u> 10,846</u>
Total Additions	<u>\$ 14,588</u>
DEDUCTIONS:	
Scholarships awarded	<u>\$ 7,850</u>
CHANGE IN NET ASSETS	6,738
NET ASSETS:	
Beginning of year	<u> 91,686</u>
End of year	<u>\$ 98,424</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Peck Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Peck Community Schools (the "District") is governed by the Peck Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2004 - August, 2005. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The District had no investments at June 30th.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.0000
Debt Service Fund- Homestead and non-homestead	4.20

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher with ten years or more of service, or his/her estate, a sum equal to \$35.00 for each unused accumulated sick days in excess of 50 days. Unused sick days in excess of 100 shall be paid out annually.

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2005, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,665,426 of the District's bank balance of \$1,901,494 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$172,869	\$1,901,494
Investments	<u>0</u>
	\$1,901,494

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 98,424
Cash Agency Fund	74,445
Cash - District wide	1,728,625
Investments - District wide	<u>0</u>
	\$1,901,494

NOTE 4 – LONG-TERM DEBT:

The following is a summary of the long-term debt of the school district for the year:

	<u>LONG-TERM DEBT</u>	
	2005	2004
Balance payable - July 1	\$2,196,567	\$2,412,979
1996 School Building and Site Bonds paid	(150,000)	(150,000)
Bus loans paid	(21,994)	(21,229)
New bus loan	53,541	0
School bond loan paid	0	(46,882)
Increase in accumulated compensated absences	<u>3,733</u>	<u>1,699</u>
Balance payable June 30	\$2,081,847	\$2,196,567

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 4 – LONG-TERM DEBT, (Continued):

The District borrowed \$241,897 from the State of Michigan School Bond Loan Program during the three years ended June 30, 2000. These proceeds were utilized in the 1996 Debt Retirement Fund to assist in paying their obligations. Payments on the loan during the year ended June 30, 2004 were \$46,882 in principal and \$4,729 in interest. The balance of the note as of June 30, 2005 is \$0.

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 171,148	\$ 99,549	\$ 270,697
2007	160,329	88,271	248,600
2008	160,696	80,929	241,625
2009	161,073	73,577	234,650
2010	186,468	66,207	252,675
2011	175,000	57,575	232,575
2012	175,000	49,350	224,350
2013	175,000	41,125	216,125
2014	175,000	32,900	207,900
2015	175,000	24,675	199,675
2016	175,000	24,675	199,675
2017	<u>175,000</u>	<u>24,675</u>	<u>199,675</u>
Accumulated compensated absences	<u>17,133</u>	<u>-</u>	<u>17,133</u>
TOTALS	\$2,081,847	\$663,508	\$2,745,355

Interest expense (all funds) for the year ended June 30, 2005 was \$109,125.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 12.99% through September 2004 and 14.87% for October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District's contribution to MPSERS for the year ended June 30, 2005, 2004 and 2003 was \$402,654, \$347,099 and \$313,292, respectively, equal to the required contribution for the years then ended.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 6 - OPERATING LEASES:

The District maintains a noncancelable obligation for certain office equipment in the form of an operating lease. \$9,973 was the lease expense for June 30, 2005. Payments for the year ending June 30, 2006 will be \$3,626, and that will finish the lease obligations.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$24,742	
Special Revenue Fund:		
Food Service		\$12,186
Trust & Agency	<u> </u>	<u>12,556</u>
Total	\$24,742	\$24,742

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 8 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 9 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
Assets not being depreciated – land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	653,753	\$22,430		676,183
Transportation equipment	368,717	53,541	\$38,411	383,847
Subtotal	6,021,842	75,971	38,411	6,059,402
Accumulated depreciation	(2,366,938)	172,068	38,411	(2,500,595)
Net other capital assets:	3,654,904	(96,097)	0	3,558,807
Net capital assets	<u>\$ 3,704,904</u>	<u>(96,097)</u>	<u>0</u>	<u>\$ 3,608,807</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$172,068. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 10 – TRANSFERS:

The general fund transferred \$111,399 to the athletic fund during the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

PECK COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Local	\$ 192,050	\$ 186,850	\$ 232,725	\$ 45,875
State sources	4,011,954	4,118,713	4,121,935	3,222
Federal sources	160,718	163,057	163,057	-
Total Revenues	<u>4,364,722</u>	<u>4,468,620</u>	<u>4,517,717</u>	<u>49,097</u>
EXPENDITURES:				
Instruction	2,615,784	2,591,446	2,606,959	(15,513)
Support services	1,739,896	1,880,619	1,841,854	38,765
Community service	12,850	4,818	4,835	(17)
Total Expenditures	<u>4,368,530</u>	<u>4,476,883</u>	<u>4,453,648</u>	<u>23,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,808)</u>	<u>(8,263)</u>	<u>64,069</u>	<u>72,332</u>
OTHER FINANCING SOURCES (USES)				
Payments on bus loans	(23,772)	(22,180)	(22,096)	84
Loan proceeds	53,261	53,541	53,541	-
Transfers to other funds	<u>(107,669)</u>	<u>(107,669)</u>	<u>(111,399)</u>	<u>(3,730)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(78,180)</u>	<u>(76,308)</u>	<u>(79,954)</u>	<u>(3,646)</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(81,988)</u>	<u>(84,571)</u>	<u>(15,885)</u>	<u>68,686</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,982,016</u>	<u>1,982,016</u>	<u>1,982,016</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$1,900,028</u>	<u>\$1,897,445</u>	<u>\$1,966,131</u>	<u>\$ 68,686</u>

ADDITIONAL INFORMATION

PECK COMMUNITY SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005

	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 38,904	\$ 38,904
Due from other governmental units	<u>1,475</u>	<u>1,475</u>
TOTAL ASSETS	<u>\$ 40,379</u>	<u>\$ 40,379</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Due to other funds	<u>\$ 12,186</u>	<u>\$ 12,186</u>
TOTAL LIABILITIES	<u>12,186</u>	<u>12,186</u>
 <u>FUND BALANCE</u>		
Fund balances:		
Unreserved:		
Undesignated	<u>28,193</u>	<u>28,193</u>
TOTAL FUND BALANCE	<u>28,193</u>	<u>28,193</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 40,379</u>	<u>\$ 40,379</u>

PECK COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL
FUND TYPES FOR THE YEAR ENDED JUNE 30, 2005

	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES		
Local sources	\$ 126,693	\$ 126,693
State sources	9,835	9,835
Federal sources	73,314	73,314
	<u>209,842</u>	<u>209,842</u>
TOTAL REVENUES		
	<u>209,842</u>	<u>209,842</u>
EXPENDITURES		
Food services	182,175	182,175
Athletic services	152,108	152,108
	<u>334,283</u>	<u>334,283</u>
TOTAL EXPENDITURES		
	<u>334,283</u>	<u>334,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(124,441)</u>	<u>(124,441)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	111,399	111,399
	<u>111,399</u>	<u>111,399</u>
TOTAL OTHER FINANCING SOURCES (USES)		
	<u>111,399</u>	<u>111,399</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(13,042)</u>	<u>(13,042)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>41,235</u>	<u>41,235</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,193</u>	<u>\$ 28,193</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Taxes	\$ 128,200	\$ 128,233	\$ 33
Earnings on investments	28,000	32,794	4,794
Drivers education - student fees	5,650	5,650	-
Other local revenue	25,000	66,048	41,048
	<u>186,850</u>	<u>232,725</u>	<u>45,875</u>
Total Local Sources			
STATE SOURCES:			
State school aid	3,951,449	3,977,290	25,841
At Risk	77,489	77,525	36
Special education	88,304	65,235	(23,069)
Drivers Education	1,400	1,802	402
Court placed children	-	-	-
Academically Talented Grant	71	83	12
	<u>4,118,713</u>	<u>4,121,935</u>	<u>3,222</u>
Total State Sources			
FEDERAL SOURCES:			
Title I	79,912	79,912	-
Title V	370	370	-
Title II - A & D	29,246	29,246	-
IDEA - Project #050450-0405	24,800	24,800	-
REAP grant	27,222	27,222	-
Safe & Drug Free Schools	1,507	1,507	-
	<u>163,057</u>	<u>163,057</u>	<u>-</u>
Total Federal Sources			
TOTAL REVENUES	<u>\$ 4,468,620</u>	<u>\$ 4,517,717</u>	<u>\$ 49,097</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY:			
Professional Salaries	\$ 696,905	\$ 696,639	\$ 266
Nonprofessional Salaries	63,011	54,498	8,513
Speech	-	-	-
Insurance benefits	166,880	167,523	(643)
FICA & Retirement	170,940	166,530	4,410
Other Benefits	10,800	11,504	(704)
Purchased Services	200	-	200
Supplies	28,800	28,366	434
Capital outlay	300	-	300
Miscellaneous	2,400	2,258	142
Total Elementary	<u>1,140,236</u>	<u>1,127,318</u>	<u>12,918</u>
SECONDARY:			
Professional Salaries	652,680	647,509	5,171
Nonprofessional Salaries	12,000	7,235	4,765
Speech	-	-	-
Insurance benefits	137,946	138,934	(988)
FICA & Retirement	149,215	145,792	3,423
Other Benefits	10,800	10,800	-
Purchased Services	15,075	14,647	428
Supplies	18,000	51,449	(33,449)
Capital outlay	1,100	-	1,100
Miscellaneous	900	366	534
Total Secondary	<u>997,716</u>	<u>1,016,732</u>	<u>(19,016)</u>
AT RISK:			
Professional Salaries	36,810	36,810	-
Nonprofessional Salaries	21,596	21,595	1
Insurance benefits	5,948	5,993	(45)
FICA & Retirement	13,035	13,036	(1)
Supplies	100	100	-
Total At Risk	<u>77,489</u>	<u>77,534</u>	<u>(45)</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION (Continued):			
ADDED NEEDS:			
SPECIAL EDUCATION:			
Professional Salaries	\$ 106,607	\$ 114,113	(7,506)
Nonprofessional Salaries	54,739	53,754	985
Insurance benefits	33,830	35,036	(1,206)
FICA & Retirement	35,909	37,135	(1,226)
Other Benefits	2,000	2,000	-
Purchased Services	3,800	4,652	(852)
Supplies	1,200	1,444	(244)
Capital outlay	600	-	600
Miscellaneous	250	171.00	79
Total Special Education	<u>238,935</u>	<u>248,305</u>	<u>(9,370)</u>
REAP GRANT:			
Professional Salaries	13,439	13,439	-
FICA & Retirement	3,233	3,233	-
Purchased Services	6,100	6,100	-
Supplies	1,150	1,150	-
Capital outlay	3,200	3,200	-
Miscellaneous	100	100	-
Total REAP Grant:	<u>27,222</u>	<u>27,222</u>	<u>-</u>
ACADEMICALLY TALENTED:			
Professional Salaries	-	-	-
Miscellaneous	142	142	-
Total Academically Talented	<u>142</u>	<u>142</u>	<u>-</u>
COMPENSATORY EDUCATION: (Title I)			
Professional Salaries	26,044	26,044	-
Nonprofessional Salaries	15,205	15,205	-
Social Worker	29,528	29,528	-
Insurance benefits	100	100	-
FICA & Retirement	8,963	8,963	-
Purchased Services	-	-	-
Supplies	250	250	-
Total Compensatory Education: (Title I)	<u>80,090</u>	<u>80,090</u>	<u>-</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
COMPENSATORY EDUCATION: (Title II)			
Professional Salaries	\$ 22,228	\$ 22,228	\$ -
Insurance benefits	-	-	-
FICA & Retirement	4,987	4,987	-
Purchased Services	931	931	-
Supplies	1,100	1,100	-
	<u>29,246</u>	<u>29,246</u>	<u>-</u>
Total Compensatory Education (Title II)			
	<u>29,246</u>	<u>29,246</u>	<u>-</u>
COMPENSATORY EDUCATION (Title V)			
Miscellaneous	370	370	-
	<u>370</u>	<u>370</u>	<u>-</u>
 TOTAL INSTRUCTION:	 <u>2,591,446</u>	 <u>2,606,959</u>	 <u>(15,513)</u>
 SUPPORTING SERVICES:			
COUNSELING AND LIBRARY:			
Professional Salaries	110,552	112,783	(2,231)
Insurance benefits	6,320	6,550	(230)
FICA & Retirement	24,878	24,678	200
Other Benefits	600	600	-
Purchased Services	350	238	112
Supplies	4,300	4,052	248
Capital outlay	100	-	100
Miscellaneous	3,000	3,000	-
	<u>150,100</u>	<u>151,901</u>	<u>(1,801)</u>
Total Counseling and Library			
	<u>150,100</u>	<u>151,901</u>	<u>(1,801)</u>
 BUSINESS SERVICES:			
Miscellaneous	3,892	3,964	(72)
	<u>3,892</u>	<u>3,964</u>	<u>(72)</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
CENTRAL OFFICE:			
Professional Salaries	\$ 225,880	\$ 226,504	\$ (624)
Nonprofessional Salaries	140,327	135,571	4,756
Insurance benefits	72,362	62,195	10,167
FICA & Retirement	78,487	74,903	3,584
Purchased Services	74,363	69,747	4,616
Supplies	86,500	87,837	(1,337)
Capital outlay	3,300	3,435	(135)
Miscellaneous	10,500	9,839	661
Total Central Office	<u>691,719</u>	<u>670,031</u>	<u>21,688</u>
SECONDARY AND ELEMENTARY OFFICES:			
Professional Salaries	208,838	209,240	(402)
Nonprofessional Salaries	31,700	31,033	667
Insurance benefits	65,510	65,798	(288)
FICA & Retirement	54,168	51,534	2,634
Purchased Services	5,500	5,385	115
Supplies	1,800	1,637	163
Capital outlay	850	808	42
Miscellaneous	5,400	5,200	200
Total Secondary and Elementary Offices	<u>373,766</u>	<u>370,635</u>	<u>3,131</u>
OPERATION OF PLANT:			
Professional Salaries	33,630	33,617	13
Nonprofessional Salaries	110,630	108,261	2,369
Insurance benefits	36,330	35,541	789
FICA & Retirement	32,675	31,252	1,423
Purchased Services	54,506	54,017	489
Supplies	136,800	142,935	(6,135)
Capital outlay	2,000	419	1,581
Miscellaneous	1,200	1,042	158
Total Operation of Plant	<u>407,771</u>	<u>407,084</u>	<u>687</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
PUPIL TRANSPORTATION:			
Professional Salaries	\$ 4,250	\$ 3,507	\$ 743
Nonprofessional Salaries	67,600	69,452	(1,852)
Insurance benefits	6,750	6,761	(11)
FICA & Retirement	15,947	15,482	465
Purchased Services	40,083	31,274	8,809
Supplies	35,200	31,484	3,716
Capital Outlay	55,541	53,541	2,000
Miscellaneous	3,200	1,938	1,262
Total Pupil Transportation	<u>228,571</u>	<u>213,439</u>	<u>15,132</u>
STAFF SERVICES:			
IDEA - Project #050450-0405			
Professional Salaries	20,240	20,240	-
FICA & Retirement	4,560	4,560	-
Total IDEA	<u>24,800</u>	<u>24,800</u>	<u>-</u>
TOTAL SUPPORTING SERVICES:	<u>1,880,619</u>	<u>1,841,854</u>	<u>38,765</u>
COMMUNITY SERVICE:			
DRIVERS EDUCATION:			
Professional Salaries	3,825	3,842	(17)
Nonprofessional Salaries	-	-	-
FICA & Retirement	293	293	-
Purchased Services	700	700	-
Supplies	-	-	-
Miscellaneous	-	-	-
Total Drivers Education	<u>4,818</u>	<u>4,835</u>	<u>(17)</u>
TOTAL COMMUNITY SERVICE:	<u>4,818</u>	<u>4,835</u>	<u>(17)</u>
TOTAL EXPENDITURES	<u>\$ 4,476,883</u>	<u>\$ 4,453,648</u>	<u>\$ 23,235</u>

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	\$ 31,675	\$ 7,229	\$ 38,904
Inventory	-	-	-
Due from other governmental units	1,475	-	1,475
Due from other funds	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 33,150</u>	<u>\$ 7,229</u>	<u>\$ 40,379</u>
 <u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Due to General Fund	\$ 12,186		\$ 12,186
Deferred income			-
TOTAL LIABILITIES	<u>12,186</u>	<u>-</u>	<u>12,186</u>
 FUND BALANCE:			
Fund Balance	<u>20,964</u>	<u>\$ 7,229</u>	<u>28,193</u>
TOTAL FUND BALANCE	<u>20,964</u>	<u>7,229</u>	<u>28,193</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 33,150</u>	<u>\$ 7,229</u>	<u>\$ 40,379</u>

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>COMBINED</u>
REVENUES:			
Local Sources:			
Sale of lunches	\$ 85,719		\$ 85,719
Athletic receipts and student fees		\$ 39,993	39,993
Interest on investments	783	198	981
Total Local Sources	<u>86,502</u>	<u>40,191</u>	<u>126,693</u>
State Sources:			
State aid	<u>9,835</u>		<u>9,835</u>
Federal Sources:			
Federal aid, cash	59,416		59,416
Federal aid, commodities	<u>13,898</u>		<u>13,898</u>
Total Federal Sources	<u>73,314</u>	<u>-</u>	<u>73,314</u>
TOTAL REVENUES	<u>169,651</u>	<u>40,191</u>	<u>209,842</u>
OTHER FINANCING SOURCES:			
Transfer from General Fund	<u>-</u>	<u>111,399</u>	<u>111,399</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>169,651</u>	<u>151,590</u>	<u>321,241</u>
EXPENDITURES:			
Food and other purchases	70,632		70,632
Salaries	59,697	89,110	148,807
Insurance benefits	27,158	-	27,158
FICA & Retirement	13,139	19,966	33,105
Repairs and other purchased services	2,581	15,178	17,759
Supplies	4,565	19,836	24,401
Miscellaneous	<u>4,403</u>	<u>8,018</u>	<u>12,421</u>
TOTAL EXPENDITURES	182,175	152,108	334,283
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,524)</u>	<u>- (518)</u>	<u>(13,042)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>33,488</u>	<u>7,747</u>	<u>41,235</u>
FUND BALANCE AT END OF YEAR	<u>\$ 20,964</u>	<u>\$ 7,229</u>	<u>\$ 28,193</u>

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
BALANCE SHEET
June 30, 2005

	<u>June 30, 2005</u>
<u>ASSETS</u>	
Cash	<u>\$ 61,892</u>
TOTAL ASSETS	<u><u>\$ 61,892</u></u>
<u>FUND BALANCES</u>	
Fund Balance:	
Reserved for debt retirement	<u><u>\$ 61,892</u></u>

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

	<u>June 30, 2005</u>
REVENUES:	
Local Sources:	
Property taxes	\$ 257,651
Interest	<u>1,659</u>
TOTAL REVENUES	<u>259,310</u>
EXPENDITURES:	
Debt Service:	
Retirement of bonds	150,000
Interest on bonded debt	107,426
Fees	299
Miscellaneous	<u> </u>
TOTAL EXPENDITURES	<u>257,725</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,585
FUND BALANCE - BEGINNING OF YEAR	<u>60,307</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 61,892</u></u>

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>PRIVATE PURPOSE TRUST</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 98,424	\$ 74,445	\$ 172,869
TOTAL ASSETS	<u><u>\$ 98,424</u></u>	<u><u>\$ 74,445</u></u>	<u><u>\$ 172,869</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to student groups		\$ 61,889	\$ 61,889
Due to other funds		12,556	12,556
Total Liabilities	<u>-</u>	<u>74,445</u>	<u>74,445</u>
Fund Equity:			
Fund balance:			
Reserved for scholarships	\$ 98,424		98,424
Total Fund Equity	<u>98,424</u>	<u>-</u>	<u>98,424</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 98,424</u></u>	<u><u>\$ 74,445</u></u>	<u><u>\$ 172,869</u></u>

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
ASSETS			
Cash	\$ 4,509	\$ 53,080	\$ 15,928
TOTAL ASSETS	<u><u>\$ 4,509</u></u>	<u><u>\$ 53,080</u></u>	<u><u>\$ 15,928</u></u>
 LIABILITIES AND FUND EQUITY			
Fund Equity:			
Fund balance:			
Reserved	\$ 4,509	\$ 53,080	\$ 15,928
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 4,509</u></u>	<u><u>\$ 53,080</u></u>	<u><u>\$ 15,928</u></u>

SCHOLARSHIP FUNDS

<u>JOHNSON</u>	<u>ERNST</u>	<u>LAPANOWSKI</u>	<u>R.E.D.</u>	<u>SONS OF AMERICAN LEGION</u>	<u>McCANHAM</u>	<u>TOTAL</u>
<u>\$ 11,693</u>	<u>\$ 2,132</u>	<u>\$ 1,780</u>	<u>\$ 2,187</u>	<u>\$ 2,000</u>	<u>\$ 5,115</u>	<u>\$ 98,424</u>
<u>\$ 11,693</u>	<u>\$ 2,132</u>	<u>\$ 1,780</u>	<u>\$ 2,187</u>	<u>\$ 2,000</u>	<u>\$ 5,115</u>	<u>\$ 98,424</u>
<u>\$ 11,693</u>	<u>\$ 2,132</u>	<u>\$ 1,780</u>	<u>\$ 2,187</u>	<u>\$ 2,000</u>	<u>\$ 5,115</u>	<u>\$ 98,424</u>
<u>\$ 11,693</u>	<u>\$ 2,132</u>	<u>\$ 1,780</u>	<u>\$ 2,187</u>	<u>\$ 2,000</u>	<u>\$ 5,115</u>	<u>\$ 98,424</u>

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
REVENUES			
Local revenues:			
Interest on Investments	\$ 195	\$ 2,062	\$ 659
Donations	<u>600</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>795</u>	<u>2,062</u>	<u>659</u>
EXPENDITURES			
Scholarships awarded	<u>500</u>	<u>4,100</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER)	295	(2,038)	659
EXPENDITURES			
FUND BALANCE AT BEGINNING OF YEAR	<u>4,214</u>	<u>55,118</u>	<u>15,269</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 4,509</u></u>	<u><u>\$ 53,080</u></u>	<u><u>\$ 15,928</u></u>

SCHOLARSHIP FUNDS

<u>JOHNSON</u>	<u>ERNST</u>	<u>LAPANOWSKI</u>	<u>R.E.D.</u>	<u>SONS OF AMERICAN LEGION</u>	<u>McCANHAM</u>	<u>TOTAL</u>
\$ 642	\$ 22	\$ 118	\$ 39	\$ -	\$ 5	\$ 3,742
-	1,500	500	1,136	2,000	5,110	10,846
642	1,522	618	1,175	2,000	5,115	14,588
500	1,500	250		1,000		7,850
142	22	368	1,175	1,000	5,115	6,738
11,551	2,110	1,412	1,012	1,000	-	91,686
<u><u>\$ 11,693</u></u>	<u><u>\$ 2,132</u></u>	<u><u>\$ 1,780</u></u>	<u><u>\$ 2,187</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 5,115</u></u>	<u><u>\$ 98,424</u></u>

PECK COMMUNITY SCHOOLS
AGENCY FUNDS
SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGE IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2005
Student Council	\$ 3,351			\$ 3,319
Honor Society	(66)			70
Technology	515			394
Class of 2005	1,395			-
Class of 2006	3,289			314
Class of 2007	1,806			3,056
Class of 2008	1,389			2,987
Class of 2009	91			1,384
Class of 2010	-			171
Athletic Complex	828			697
Computer Club	293			509
Drama Club	295			446
Honors Account	2,301			1,808
Spirit Committee	3,164			3,784
Trip Account	315			265
Athletic Activities	19,851			16,931
Interest	214			698
Earlier Classes	22			22
Band Boosters	1,787			3,108
Quiz Bowl Team	24			-
Peck Booster Club	14,858			21,926
TOTALS	\$ 55,722	\$ 147,904	\$ 141,737	\$ 61,889
 GENERAL FUND ACCOUNTS	 \$ 11,998	 \$ 34,020	 \$ 33,462	 \$ 12,556

PECK COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT -
1996 SCHOOL BUILDING AND SITE BONDS
June 30, 2005

<u>YEAR ENDING</u> <u>June 30,</u>	<u>PRINCIPAL</u> <u>DUE</u>	<u>INTEREST</u> <u>DUE</u>	<u>TOTAL PAYMENT</u>
2006	\$ 150,000	\$ 97,075	\$ 247,075
2007	150,000	86,725	236,725
2008	150,000	79,750	229,750
2009	150,000	72,775	222,775
2010	175,000	65,800	240,800
2011	175,000	57,575	232,575
2012	175,000	49,350	224,350
2013	175,000	41,125	216,125
2014	175,000	32,900	207,900
2015	175,000	24,675	199,675
2016	175,000	24,675	199,675
2017	175,000	24,675	199,675
	<u>\$ 2,000,000</u>	<u>\$ 657,100</u>	<u>\$ 2,657,100</u>

Interest Rates 4.65% to 6.90%

Original Issue \$ 3,000,000

Purpose of Issue: The 1996 Bond issue was for building additions, remodeling existing buildings, new furnishings and upgrading technology equipment.

PECK COMMUNITY SCHOOLS
SCHEDULE OF BUS NOTE PAYABLE
June 30, 2005

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
9/25/00	\$ 51,617	9/25/2005	4.89%	\$ 574	\$ 11,173	\$ 11,747
				<u>\$ 574</u>	<u>\$ 11,173</u>	<u>\$ 11,747</u>

PECK COMMUNITY SCHOOLS
SCHEDULE OF BUS NOTE PAYABLE
June 30, 2005

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
8/4/04	\$ 53,541	8/4/2005	3.50%	\$ 1,900	\$ 9,975	\$ 11,875
		8/4/2006	3.50%	1,546	10,329	11,875
		8/4/2007	3.50%	1,179	10,696	11,875
		8/4/2008	3.50%	802	11,073	11,875
		8/4/2009	3.50%	407	11,468	11,875
				<u>\$ 5,834</u>	<u>\$ 53,541</u>	<u>\$ 59,375</u>



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 4, 2005

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Peck Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Peck Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Peck Community Schools
August 4, 2005

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS